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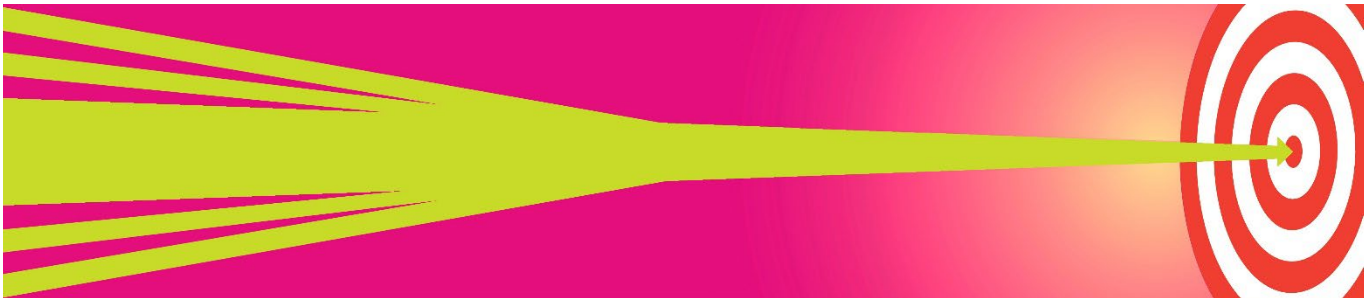

HM Treasury

HM TREASURY WOMEN IN FINANCE CHARTER: FIVE YEAR REVIEW

ASSESSING THE IMPACT OF THE CHARTER ON FEMALE REPRESENTATION ACROSS THE FINANCIAL SERVICES INDUSTRY

July 2021

by Yasmine Chinwala, Jennifer Barrow and Panagiotis Asimakopoulos

> The average proportion of women has increased from 14% to 22% on executive committees across the UK finance sector and from 23% to 32% on boards since 2016. There is clear evidence that the Charter has made a vital contribution to driving permanent, sustainable change over the past five years – but the work of the Charter is far from done.

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INTRODUCTION

What this review is about

The UK government launched the HM Treasury Women in Finance Charter in March 2016 to encourage the financial services industry to improve gender balance in senior management. The Charter now has more than 400 signatories covering 950,000 employees across the sector.

In this report, we look back over five years of the Charter, to assess its achievements and impact so far in three specific areas:

- whether there are now more women in the most senior decision-making roles across the financial services industry as a whole;
- how the Charter has influenced signatories' approaches to improving female representation, particularly against the four Charter principles;
- how the Charter has informed and inspired the wider diversity and inclusion agenda.

The five year mark offers an opportunity to take stock of the Charter. This report celebrates successes, but also draws attention to where work still needs to be done to drive a permanent, sustainable change.

This analysis updates the data New Financial provided to the *Empowering Productivity* review (March 2016) on female representation on executive committees and boards. We look at a sample of more than 200 firms from 12 sectors spanning the UK financial services industry to see where progress has (or has not) been made.

We then present the findings of the 2021 Signatories' Survey to understand the signatory perspective on the different impacts of the Charter and its four principles on female representation and their wider diversity agenda.

We also reflect on the past five years of signatories' annual update submissions to HM Treasury, a uniquely rich dataset offering unparalleled insight into how financial services companies approach diversity and inclusion, to draw out how the reporting has evolved. Finally, we round up examples of the Charter's influence beyond its original brief of improving gender diversity in senior management in UK financial services.

Methodology notes

This review analyses three main data sources:

- female representation on boards and executive committees of a sample of 205 companies from 12 sectors across the UK financial services industry, collected in May 2021;
- 134 responses to a survey of Charter signatories conducted in June 2021;
- five years of annual review data based on the updates signatories provide to HM Treasury every year (available here).

All data has been anonymised and aggregated, and no data has been attributed without the relevant signatory's consent. For full methodology, see Appendix p23.

NEW FINANCIAL
Rethinking capital markets

New Financial is a think tank and forum that believes Europe needs bigger and better capital markets to help drive its recovery and growth.

We believe diversity in its broadest sense is not only an essential part of running a sustainable business but a fundamental part of addressing cultural change.

We provided data to the government-backed Gadhia review of senior women in financial services, *Empowering Productivity*, and we are HM Treasury's data partner monitoring the progress of signatories to the HM Treasury Women in Finance Charter.

New Financial's most recent diversity research includes a project on Accelerating Black Inclusion, a Diversity Toolkit for Investors, and a thought paper series on Radical Actions to drive a step change in diversity across financial services.

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Acknowledgements

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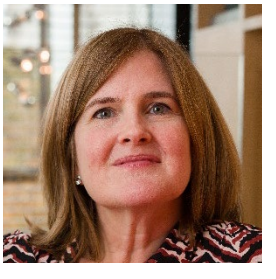
Lead authors

**Yasmine Chinwala OBE,
Partner, New Financial**

Yasmine had led New Financial's diversity programme since 2014, specialising in diversity, culture and inclusion across the financial services industry. She was awarded an OBE in 2020 for her work on the HM Treasury Women in Finance Charter.



**Jennifer Barrow,
Senior Adviser, New Financial**

Jennifer has been a senior adviser to New Financial's diversity programme since 2018. She was previously head of corporate responsibility for the Financial Conduct Authority and spearheaded the D&I function at global law firm Baker McKenzie.

Panagiotis Asimakopolous led the data analysis, with contributions from William Wright, Eivind Friis Hamre, Shruti Deb, Christopher Breen and Michelle Hoh.

SUPPORTER FOREWORDS

John Glen MP, Economic Secretary to the Treasury

I am pleased to welcome the publication of the Five Year Review of the Women in Finance Charter. Over the last five years, the Government has committed to achieving gender balance across all levels of financial services firms and the analysis in this report shows how the Charter's signatories – and the wider sector – fared since the launch of the Women in Finance Charter in 2016.

Clearly, we all have much to celebrate: in financial services, women now make up 32% of boards (compared to 23% in 2016), and 23% of executive committees (compared to 14% in 2016). During the last year, I have met with some of our Charter signatories to discuss progress and have been hugely impressed by their often-trailblazing efforts. As we look to build back better, I encourage firms to remain accountable for their progress and to commit to tangible action to improve the diversity of the sector.

I am grateful to New Financial for their expertise, to Dame Jayne-Anne Gadhia for leading the review that led to the creation of the Charter, and to Amanda Blanc, our Women in Finance Champion, who continues to advocate for gender diversity across financial services. It is my hope that this report will encourage firms to continue striving to meet their targets, consider diversity across all areas, and adopt good practices to ensure a great workplace for all.

Amanda Blanc, Group Chief Executive Officer at Aviva, and Government Women in Finance Champion

To date, the Charter has been a huge success convincing hundreds of organisations across the financial services sector to commit to delivering real change and finally creating true gender parity in the workplace.

This Five Year Review makes clear the progress we have made but as it also makes clear, our work has only just begun. Over the next five years, we need to move from talk to action, from working in isolation to working together, and move from a narrow perception of gender diversity to encompass women from every walk of life and every part of society.

That won't be easy and it is every signatory's responsibility to make it happen but that is why the Charter exists – to support and cajole, challenge and praise, and bring all of us together to share our failures and well as our successes.

I look forward to creating a task force of accountable executives from signatory firms to step up this work. By bringing signatories together with all their expertise and experience, as a sector we can finally make one of today's key inequities in society a thing of the past.

Background to the HM Treasury Women in Finance Charter

In 2015, the UK government commissioned Dame Jayne-Anne Gadhia to lead a review of women in senior management across UK financial services. The review team published their findings in March 2016 in the report *Empowering Productivity: Harnessing the talents of women in financial services*.

In support of the Gadhia review's recommendations, the UK government launched the HM Treasury Women in Finance Charter in March 2016. Firms of all shapes and sizes across financial services have signed up, with headquarters in the UK, USA, Europe and Asia. Firms sign the Charter on a voluntary basis and set their own targets.

The four Charter principles

In becoming a Charter signatory, firms pledge to promote gender diversity by:

- Having one member of the senior executive team who is responsible and accountable for gender diversity and inclusion.
- Setting internal targets for gender diversity in senior management.
- Publishing progress annually against these targets on a page on the company's website dedicated to their Charter commitment.
- Having an intention to ensure the pay of the senior executive team is linked to delivery against these internal targets on gender diversity.

https://www.gov.uk/government/publications/women-in-finance-charter

SPONSOR FOREWORDS

David Duffy, Chief Executive Officer, Virgin Money

Virgin Money is immensely proud to have sponsored the Women in Finance Charter since its inception in 2016. Over the past five years, the Charter has clearly shown the positive impact that firms can have on gender balance in their organisation when enough focus and momentum is put behind delivering a truly diverse and inclusive culture.

Many businesses have gone a long way in improving their hiring practices and company policies to build more inclusive environments, but following the pandemic and the lessons we have learnt about the future of work, there is an opportunity to go further, faster.

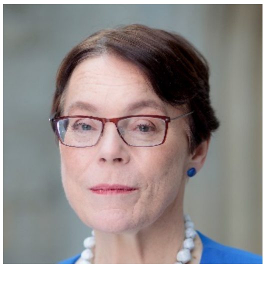
I urge leaders to consider making roles more flexible and accessible across all levels. This will go a long way to breaking down barriers to inclusivity and enable the financial services sector to truly reflect the society we serve.

David Craig, Chief Executive, Refinitiv, a London Stock Exchange business

We've seen incredible change in society in five years, accelerated more recently by the pandemic. The huge efforts of all those involved in the Charter take us closer to equality of opportunity and representation for women in finance and I am heartened by this report's findings.

Being a Charter signatory gave Refinitiv the impetus to set a target of 40% women on our executive committee by 2021 and exceed it in 2020. This no-nonsense "what gets measured gets done" approach was a template for our ethnicity targets, which we introduced in June 2019.

Having the right data, the right targets and the right leadership, including from HM Treasury, means we can affect more change. Before we know it, another five years will have passed, and we can reflect on a changed landscape – hopefully one that achieves the Charter's aims in full, that makes finance better and society fairer.



Catherine McGuinness, Chair of the Policy and Resources Committee, City of London Corporation

The City of London Corporation is pleased to support the Five Year Review of the Women in Finance Charter. The Charter remains critically important as we strive to deliver gender balance within the financial services sector.

As we recover from Covid, the City Corporation is committed to ensuring our future places of work remain inclusive. There is both a social and economic imperative to achieving this. The financial services sector's strength depends on its range and diversity of talent, and if London and the UK are to retain their position as global leaders in finance, we must ensure that women are able to progress within the sector.

The City of London Corporation is committed to socio-economic diversity across the sector, and I am proud of the work we are doing to lead an independent taskforce on this broader issue. The taskforce is exploring how the sector can work together to remove institutional barriers and build on the success of the Women in Finance Charter.

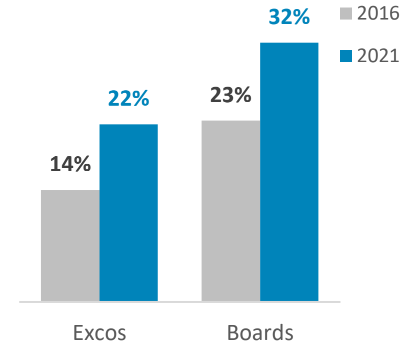
SUMMARY

Highlights of the review: the impact of the Charter since 2016

1. **A step change in senior female representation**: There has been a significant step forward in the proportion of women on both boards and executive committees over the past five years across all financial services sectors. Excos have increased from 14% in 2016 to 22% on average today, while boards have increased from 23% to 32% (fig.1). The increase for excos is nearly 60%, for boards it is nearly 40%.
2. **Signatories surpass their peers**: For the 100 Charter signatories in the sample, average representation on both boards and excos is much higher than the average for non-signatories – more than 50% higher for excos and 40% for boards (fig.2).
3. **Driving sustainable change**: Of the respondents to the 2021 Signatories' Survey, 56% said the Charter had driven permanent sustainable change in their organisations, and 63% said the same for the industry (fig.13). Of those that said it was too early to tell, most anticipated change would become sustainable in the next five years.
4. **Advancing the gender agenda**: Nearly all signatories surveyed (97%) said their agenda to improve female representation had advanced over the past five years (fig.14), and only a fifth (21%) believed they would have advanced to the same degree without being a Charter signatory (fig.15).
5. **Normalising diversity targets**: Targets have been the most impactful of the four Charter principles (fig.17) and have overhauled how companies approach improving diversity. Despite having the flexibility to choose their own targets, more than 60% of signatories have a target of at least 33% women in senior management, and nearly 40% have a target of at least 40%.
6. **Benefitting from the link to pay:** Although signatories have found linking diversity targets to pay the most challenging of the four Charter principles (fig.18) and it has taken time to get to grips with the mechanisms, half (49%) are now finding the link to pay effective in driving change (fig.19).
7. **Accountable at the top table:** The role of the accountable executive has evolved from awareness raising and speaker engagements in the early days to actively holding leadership and managers to account for delivering improvements. Two thirds of signatories (64%) have appointed accountable executives to other diversity areas (fig.21), particularly ethnicity (fig.22).
8. **Shy about publishing progress:** Making a public annual update against targets is the only one of the four Charter principles that has not shown clear improvement over the five year period. In the most recent round of reporting, a third of signatories failed to publish an update at all.
9. **Rolling out the Charter framework:** The Charter has made a huge impact far beyond its original remit – 70% of signatories are applying the principles to other diversity areas (fig.3), and the Charter has been emulated in other sectors, in other countries and across multiple diversity strands.
10. **The road ahead:** The big wins for the Charter have been building a wide signatory base and ensuring gender diversity is a top level agenda item. At the current rate of increase, our sample would on average reach a target of parity on excos in 2033 (fig.23) and boards in 2029 (fig.24). The Charter has an important role to play in maintaining signatories' focus in the years to come.

Fig.1 Excos and boards improving

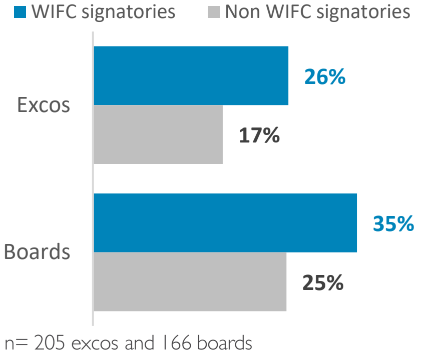
Percentage of women on excos and boards, 2016 compared to now



n = 205 excos and 166 boards in 2021, 200 excos & 163 boards in 2016

Fig.2 Signatories do better

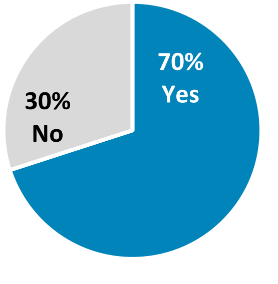
Percentage of women on excos and boards of signatories and non-signatories in 2021



n= 205 excos and 166 boards

Fig.3 Beyond gender

Percentage of signatories that are applying Charter principles to other diversity strands



n=134 signatories surveyed

A positive picture overall

In 2016, New Financial looked at female representation on boards and executive committees across a sample of 200 UK financial services firms from 12 different sectors, in order to understand the baseline of the work of the Charter. In 2021, we gathered this data again to understand progress.

There has been a significant step forward in the proportion of women on both excos and boards over the past five years – excos have increased from 14% in 2016 to 22% on average today, while boards have increased from 23% to 32% (fig.4). The increase for excos is nearly 60%, for boards it is nearly 40%.

All sectors have improved female representation, with the biggest increase for insurance excos, which more than doubled from 12% in 2016% to 28% over the five year period.

For the 100 Charter signatories in the sample, average representation is higher for both boards and excos than the average for the full sample and for those firms that have not joined the Charter.

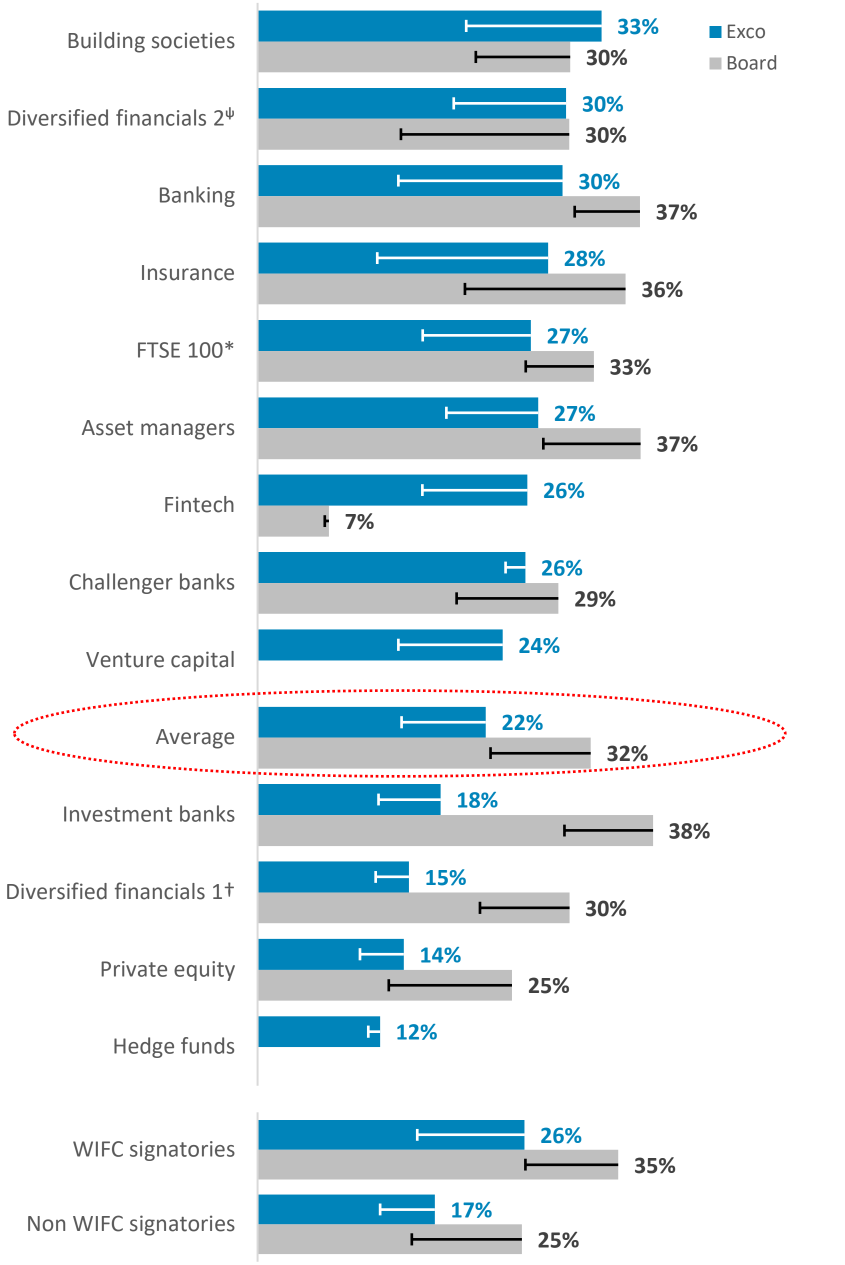
While the Charter cannot take sole credit for driving this improvement, it has certainly been a significant contributing factor (see fig.13, fig.15).

"It has been fantastic to see the increased female representation at senior levels across the financial services industry. The bar of what is considered 'good' has been raised through annual reporting by Charter signatories."

Fidelity International

Fig.4 More women on boards and excos

Average female representation on boards and executive committees across the UK financial services industry by sector, t-bars show 2016 data



n= 205, only 166 have boards.
φ Diversified financials 2 consists of market infrastructure, trading platforms, cards and payments systems
* FTSE 100 data is from Hampton Alexander Review, February 2021
† Diversified financials 1 consists of a selection of FTSE 350 and AIM-listed brokers and asset managers
Notes: Boards were not included for venture capital and hedge funds due to inadequate data. All 2016 sector data is taken from the *Empowering Productivity* review.

ROLES OF WOMEN ON EXECUTIVE COMMITTEES

More women in support roles

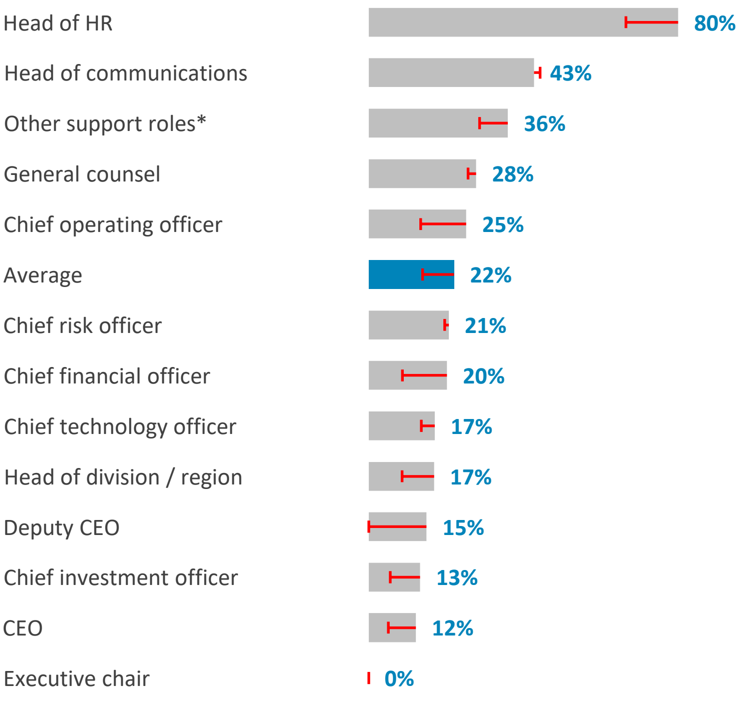
Where women do sit on executive committees, what types of job do they do? Our analysis shows a clear positive trend of more women in all roles (except head of communications) than in 2016 (fig.5). However, women still tend to be in support roles – such as HR, communications, legal and compliance, marketing, strategy, treasury, audit, policy and corporate affairs – rather than front line revenue generating roles (fig.6).

There has also been an increase in the proportion of support roles on excos – accounting for 28% of all exco roles in our sample, compared to a quarter (25%) in 2016. The remaining exco roles are divided fairly evenly between C-suite (37%) and P&L functions (34%). Head of HR was a named exco member for 6% of organisations, head of comms was on just 1% of excos and general counsel was present on 6%.

Elevating high-profile support functions such as HR and comms to the exco is a quick way to increase female representation on excos, and is also indicative of the shift in the strategic focus of leadership in giving these roles a seat at the top table. But such an approach does not resolve the underlying issue of a lack of senior women in frontline business roles, which also has a knock-on effect on the gender pay gap and female representation in executive board directorships (fig.8 overleaf).

Fig.5 Gender breakdown of positions on executive committees

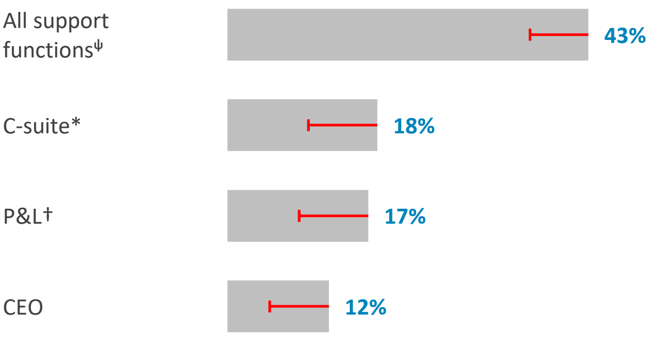
Percentage of women in different exco positions, t-bars show 2016 data



n = 205 excos in 2021 and 200 excos in 2016
* Includes central support functions such as marketing, strategy, policy, corporate affairs, excludes roles listed above

Fig.6 More women in support functions

Percentage of women in different types of roles on excos, t-bars show 2016 data



n = 205 excos in 2021 and 200 excos in 2016
ψincludes communications, HR, legal and other central support functions such as marketing, strategy, policy, corporate affairs
*includes CEO, deputy CEO, CFO, COO, CRO, CTO , executive chair, and for asset managers CIO
†profit and loss functions, i.e. revenue generating roles, including divisional or regional business responsibility

ROLES OF WOMEN ON BOARDS

More women non-execs

What kinds of roles do women hold on boards? Our analysis shows an increase in the proportion of women in all board roles compared to 2016 (fig.7).

Boards have been the main focus of voluntary and regulatory approaches to improve gender diversity in the corporate world, and appointing female non-exec directors is the quickest way to boost female representation.

While the proportion of female executive directors has nearly tripled from 7% in 2016, women still only make up 18% of exec director board roles. This under-representation is a direct result of the sex segregation of exco functions – the most common roles that appear in executive board roles are the chief executive, chief financial officer and heads of division/region (fig.8), roles which women tend not to hold (fig.5).

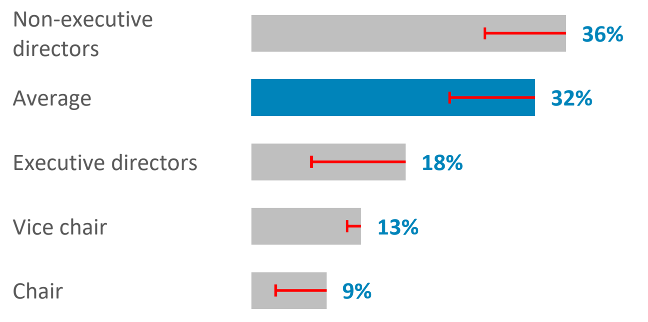
If firms are serious about bringing more women into exco and executive board directorships, they need to nurture female talent in business leadership roles.

Low rate of female appointments

A common issue raised by signatories trying to reach targets for female representation is low turnover of senior roles. Our analysis shows that annual turnover of both boards and excos is about one in eight annually – however, when roles do come up, they tend to go to men. Women accounted for 36% of new board appointments in our sample over the past five years, falling to 27% for excos (fig.9).

Fig.7 Gender breakdown of board positions

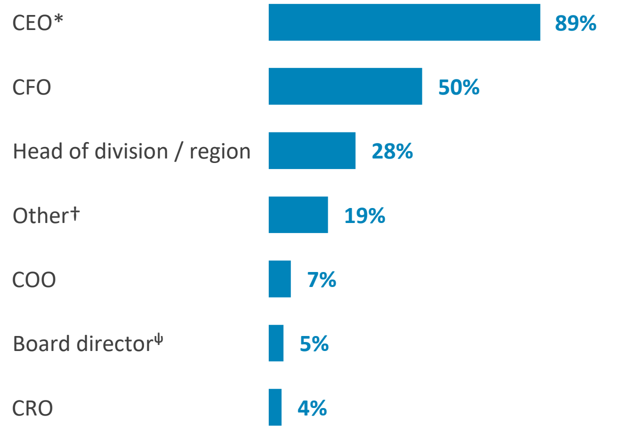
Percentage of women in different board positions, t-bars show 2016 data



n = 166 boards in 2021 and 163 boards in 2016

Fig.8 The jobs that lead to executive board directorships

Functions of exec directors by percentage of boards on which they appear



n = 166

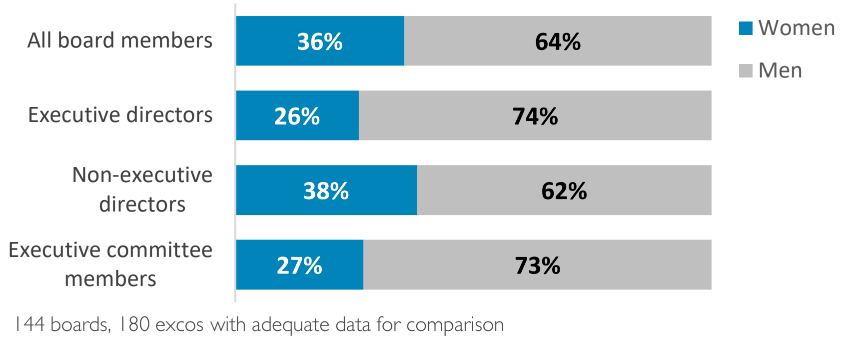
*CEO includes executive chair

†Other includes deputy CEO, CTO, CIO and other support roles such as communications, HR, legal, marketing, strategy, policy, corporate affairs

φBoard director includes all other executive directors where we were unable to identify their role

Fig.9 New appointments predominantly men

Gender breakdown of new appointments to excos and boards since 2016, %



n= 144 boards, 180 excos with adequate data for comparison

THE EVOLVING CONTEXT OF THE CHARTER

The Charter today

At launch, the Charter had fewer than 10 signatories. Now it has more than 400, covering nearly a million employees in the UK finance sector. Not only has it grown, it has endured, adapted and broken new ground.

- **High-level backing**: The Charter has retained strong government support since its inception. Successive Economic Secretaries to the Treasury have played an active role on the Charter, and HM Treasury has appointed Amanda Blanc, Group Chief Executive of Aviva as the new Women in Finance Champion.
- **Accountability**: New Financial has published four Annual Reviews monitoring signatory progress. The dataset provides uniquely rich insight, and the quality, quantity and granularity of reporting from companies has improved considerably year-on-year. The annual submission form has also adapted over the years, including adding a simplified version for smaller signatories as well as responding to change with questions on ethnicity and impacts of Covid introduced in 2020.
- **Governance**: In addition to HM Treasury and the Champion, signatories came together to create the Women in Finance Charter Industry Board, composed of sector representatives from across financial services, to provide a forum for signatories to meet peers and discuss the Charter.
- **Presence**: Charter events have also grown year-on-year, with the most recent virtual launch of the 2020 Annual Review watched by an audience of nearly 1,000 (live and on-demand).

A very different backdrop

Since the publication of the *Empowering Productivity* review, which was led by Dame Jayne-Anne Gadhia and set out the parameters of the Charter in 2016, there has been a step change in focus on the diversity and inclusion agenda. From the introduction of Gender Pay Gap reporting to the rise of the #MeToo movement and now Covid, the backdrop to discussions on female representation and wider diversity issues has changed dramatically.

The shift in the stakeholder context on D&I

Companies across the UK financial services industry (and beyond) are under increasing pressure to deliver improvement in the diversity of their workforce from multiple stakeholders – government, regulators, investors, employees, customers, clients and society.

- **Government:** The UK government has backed multiple reviews and legislation focusing on female representation on boards, senior management and public life, including the *Hampton Alexander Review*, Alison Rose's *Review of Female Entrepreneurship* and Gender Pay Gap reporting legislation, which came into force in 2017. The focus has also broadened from women to wider areas such as race, with the launch of the Race at Work Charter, and socio-economic background, which is the focus of a taskforce led by City of London Corporation. In December 2020, Liz Truss (International Trade Secretary and Minister for Women and Equalities) announced the launch of a new Equality Hub.
- **Regulators:** The UK's Financial Conduct Authority increasingly and explicitly expects regulated firms to take diversity and inclusion in the workplace more seriously. Nikhil Rathi, the new CEO of the FCA, spoke forcefully at the Women in Finance Charter Annual Review event in March 2021 on why diversity and inclusion are regulatory issues.

  Mark Carney, then Governor of the Bank of England, spoke at the launch of the Charter in March 2016, which was hosted at the Bank. Since then there has also been a marked increase in the Bank of England's focus on the importance of diversity. The current Governor, Andrew Bailey, reiterated the importance of female representation at the Women in Finance Charter Annual Review launch in June 2020. The Bank, the Prudential Regulatory Authority and the FCA are working together on a joint approach to D&I for financial services firms, including data disclosure requirements.

  Regulatory focus also extends beyond the UK. In June 2021, the European Central Bank announced a public consultation on its revised guide to fit and proper assessments, including a provision aimed at fostering gender diversity on European bank boards. And the Federal Reserve Bank of New York has been running an event series encouraging regulated firms to focus on diversity and inclusion issues. Clearly culture, diversity and inclusion – and specifically female representation and race – are high on the regulatory agenda.

• Investors

Investor demand for environmental, social and governance (ESG) data, including diversity data, has rocketed since the onset of the pandemic, and signs are emerging of closer scrutiny of human capital management, which has previously been under-served. Gender lens investing is still a niche option, however better quality data has led to more analytical research and discussion, for example Refinitiv's recent report showing a link between low gender pay gaps and company performance and Bloomberg's Gender Equality Index.

Asset managers themselves are increasingly being challenged on their own diversity by clients and investment consultants. Firms are having to improve their ability to provide diversity data and to evidence the culture, composition and decision-making processes of investment teams. The view that diversity is a means of avoiding groupthink and reducing risk in portfolio construction is growing, and some firms have introduced women- and minority-owned filters to databases. And over time, this will lead to a knock-on impact for the rest of the financial services industry.

• Customers and clients

Clients and customers are asking more granular questions in relation to diversity and inclusion. Requests for diversity-related data and information are growing, for example in requests for proposal. Retail businesses are particularly alive to this pressure as they strive to attract and retain customers who are increasingly vocal about their expectations and ever willing to use social media platforms to expose diversity-related blunders.

There is also a gap between the next generation of workers and incumbent leaders in terms of how they value issues such as climate change, mental health and equality. If leaders don't get on board, they risk their organisations being perceived by their potential future workforce as out of touch and failing to run their businesses in a sustainable manner.

• Society

There has been a fundamental shift in the societal discourse on issues relating to women. The #MeToo movement, organised primarily through social media, prompted women to share experiences of sexual harassment. This instigated internal reflection across many sectors and exposed the use of Non-Disclosure Agreements to cover up misconduct.

In addition, as highlighted by Caroline Criado-Perez's book Invisible Women, the fact that design and data analytics largely default to male design principles has come under scrutiny. The lack of diversity of thinking in programme and product design in multiple areas has caused real harm and customers are making more strategic decisions about where they will spend their money.

Motivated by employees

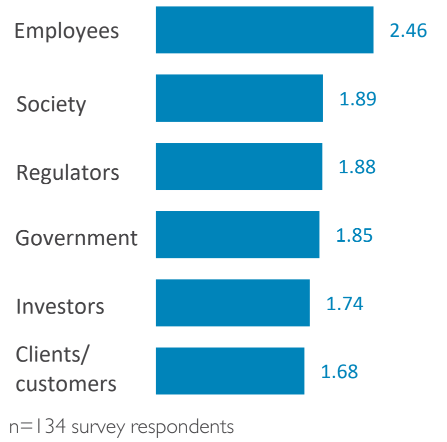
To better understand how signatories are reacting to the changing stakeholder expectations of them around diversity and inclusion issues, we asked in our 2021 Signatories' Survey which stakeholder motivates them most (fig.10). Interestingly, the responses show employee pressure was the most influential factor in driving signatories' progress on D&I.

Diversity credentials are increasingly important to attracting and retaining staff. Employees are expecting more and watching carefully to see if employers deliver on their D&I pledges and that their day-to-day experiences mirror external messaging. Covid has also amplified the focus on corporate purpose – more people aspire to work for an employer that shares their values.

This desire to be responsive to employees' asks on D&I illustrates the industry's shift in thinking over the past five years.

Fig.10 Stakeholder pressures

Which stakeholders have most motivated your organisation to progress D&I? Score 0-3 from least to most



n=134 survey respondents

EVOLVING CONTEXT: EXPANDING DIVERSITY PRIORITIES

A change in approach

How companies approach the diversity and inclusion agenda has undergone a fundamental shift since 2016. At that time, for most firms, diversity was a peripheral issue, led by the HR department. Diversity was widely used as a synonym for increasing the representation of women, targets were out of the question, and the terms diversity and inclusion were used interchangeably.

Over the past five years, firms have recognised the need to focus on building an inclusive environment to leverage their work on increasing diversity – as envisaged by the *Empowering Productivity* review. Targets are now seen as an essential means of driving action; more firms are positioning diversity as a business imperative with ownership from the C-Suite being cascaded through the business; and more companies are upgrading their diversity data capacity as well as their ability to track the impact and progress of actions to improve diversity.

The diversity and inclusion agenda has become more complex and multi-faceted. The term diversity is now used more widely to cover a range of difference across protected characteristics (such as sex, race, disability and sexual orientation) and beyond (such as socio-economic background and wellbeing).

George Floyd and Covid

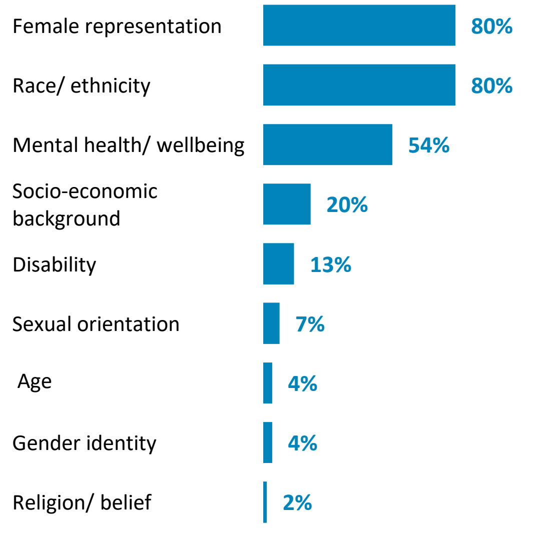
The events of the past year have increased the demand for change. Covid has thus far had both negative and positive impacts on the diversity and inclusion agenda. On the upside, the pandemic has presented an opportunity to rethink, redesign and radically improve the future of work for all, and has reset the default discussion on flexible working to a baseline of acceptance rather than exception. But research is already showing the disproportionate impact of the Covid crisis on women, and like any other crisis, the pandemic brings economic uncertainty, which changes strategic priorities.

In response to the murder of George Floyd, companies are increasingly focusing upon race issues. When this year's Signatories' Survey asked which three diversity and inclusion areas firms are prioritising, race and ethnicity ranked top alongside female representation, prioritised by 80% of respondents (fig.11). Mental health and wellbeing, an area of particular focus for firms seeking to support staff throughout the pandemic, was third.

In fourth place came socio-economic background, prioritised by only 20% of respondents. However this will likely move up the list as the work of the government-backed taskforce to boost socio-economic diversity intensifies, and a third of respondents are planning data collection in this area (fig.12).

Fig.11 D&I priorities

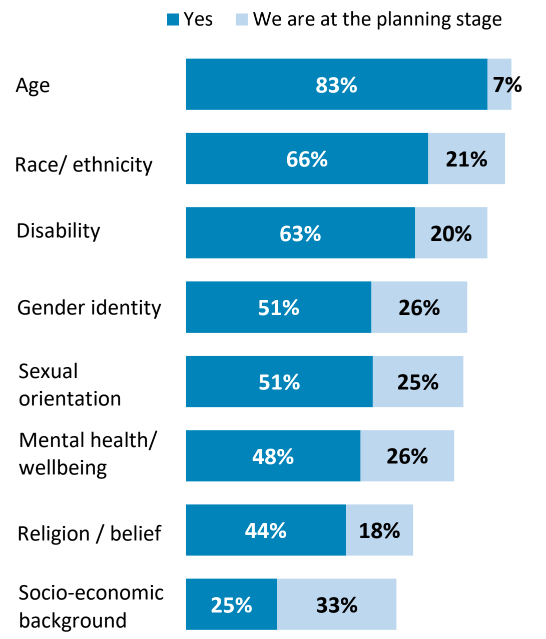
Which diversity areas are strategic priorities for your organisation? % of respondents



n=134

Fig.12 Diversity data capture

On which diversity areas does your organisation collect data in addition to women? % of respondents



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THE IMPACT OF THE CHARTER ON SIGNATORIES

A positive driving force

The Women in Finance Charter was launched to drive a fundamental change in how companies should approach diversity and inclusion – i.e. as a business issue. The four principles of the Women in Finance Charter present the challenge of increasing female representation just as business would treat any other strategic imperative – with a target, progress reporting and individual accountability, all incentivised by pay.

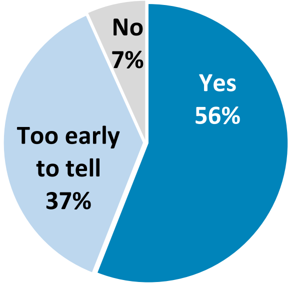
Of the respondents to the Signatories' Survey, 56% said the Charter had driven permanent sustainable change in their organisations, rising to 63% for the industry (fig.13). Of those that said it was too early to tell, most anticipated a shift to sustainable change in the next five years.

Nearly all signatories surveyed (97%) said their agenda to improve female representation had advanced over the past five years (fig.14), and only a fifth (21%) believed they would have advanced to the same degree without being a Charter signatory (fig.15).

Fig.13 Prompting sustainable change at a company and industry level

Has being a Charter signatory driven permanent sustainable change in your organisation and across the industry?

a) In your organisation, % of respondents



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b) Across the industry, % of respondents

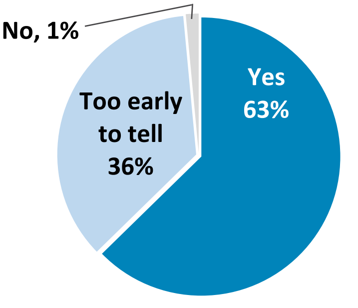

Fig.14 Moving forward

Has your organisation's agenda to improve female representation advanced in the past five years?
% of respondents

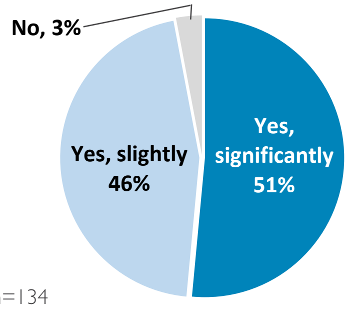

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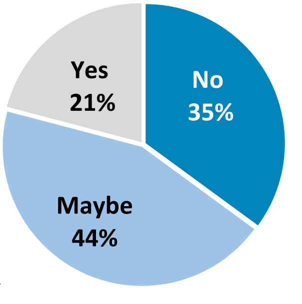
Fig.15 Making a difference

Would your organisation's agenda to improve female representation have advanced to the same degree without being a Charter signatory?
% of respondents



n=134

"Accountability, target setting and transparent progress reporting are fully embedded and sustained in our organisation even when the representation levels themselves fluctuate. We believe the robust framework encouraged by the Women in Finance Charter has helped drive permanent changes. We consider that it is unlikely we would have made progress to the same degree without the external stimulus of the Charter."

Standard Life Aberdeen

"Being a Charter signatory has given us a focal point, a milestone to aim for and to make a conscious effort to achieve. Without that I doubt we would have got as far as we have."

Anonymous

"Improvements to decision making processes that impact our people, such as recruitment, are driving sustainable change that we believe is embedding as the new norm."

TSB

"The Charter has succeeded in raising awareness, accountability and improving gender balance across the industry. It has created a benchmark for the industry with insights and information to support organisations further their ambitions."

London Stock Exchange Group

"Prior to signing the Charter we were barely making any progress."

Anonymous

THE IMPACT OF THE CHARTER ON SIGNATORIES (continued)

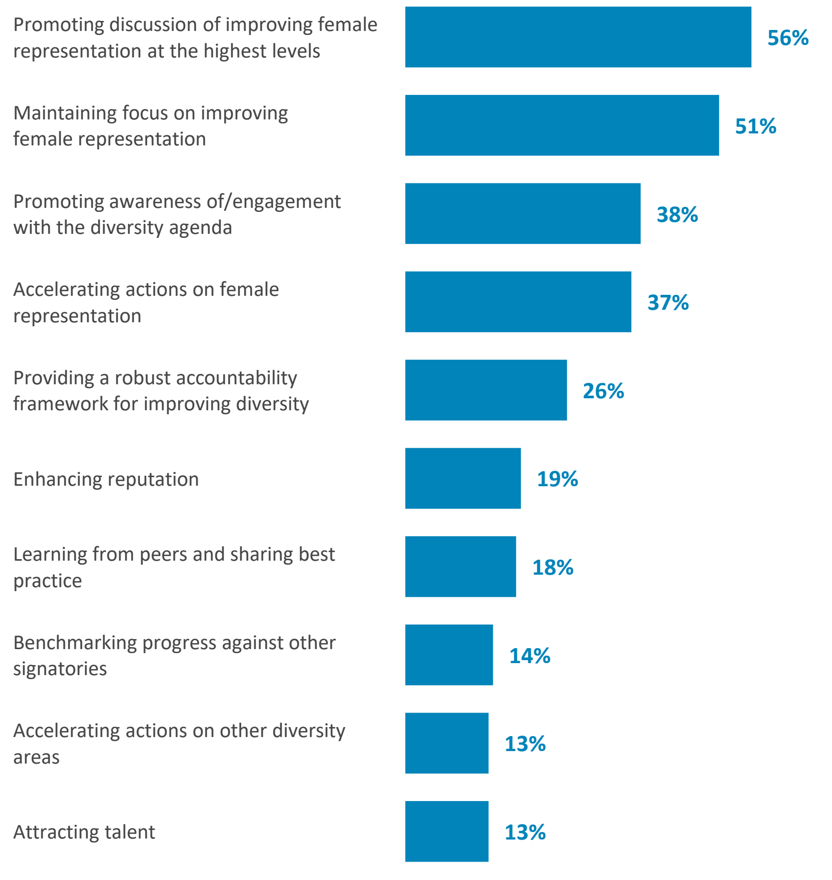
Diversity firmly on the agenda

The Charter has played a vital role in making gender diversity a standard agenda item for top decision makers at signatory firms. When we asked signatories the biggest impact of being a Charter signatory on their organisation, promoting discussion of female representation at the highest levels was the top answer (56% of respondents), followed closely by maintaining focus on improving representation (fig.16).

It is interesting to note that in both the 2017 and 2019 signatory surveys, respondents said maintaining the buy-in and engagement of senior internal stakeholders was their biggest challenge – now this issue ranks eighth (see p20). The next area for signatories to focus on is turning that high level conversation into accelerating action, which has been a big impact of the Charter for just over a third (37%) of signatories.

Fig.16 The top 10 benefits of being a Charter signatory

What has been the biggest impact of being a Charter signatory on your organisation? % of respondents



n=134 survey respondents

"The Charter has changed the nature of the conversations that we have on this topic."

Building Societies Association

"Signing up to the Charter definitely gave a new impetus to our D&I plans. It helped provide additional focus for the business and ensured we became publicly accountable in our goal of improving our global senior female representation."

Invesco UK

"The Charter has helped us leverage senior management interest over a sustained period."

Anonymous

"I believe the support and backing of the Women in Finance Charter, and the accountability built in, has significantly strengthened our business case and enabled us to focus on achieving better representation."

Beazley

"The Women in Finance Charter has allowed for focus to be maintained on achieving gender parity and a continued drive that does not lose momentum throughout the year."

The Wesleyan Assurance Society

"The Charter was the first external commitment we made as a firm in the D&I space."

BDO

THE IMPACT OF THE CHARTER PRINCIPLES: TARGETS

How signatories' approaches to target setting has changed

Setting and meeting targets for female representation in senior management is the bedrock of the Charter. Respondents to the 2021 Signatories' Survey said target setting had by far the biggest impact of the four Charter principles (fig.17).

The notion of setting diversity targets is so ubiquitous now that it is hard to remember just how big an ask it was five years ago. But as the Charter gained momentum and the number of signatories grew, discussions shifted from "should we set a target?" to "how ambitious should our target be?".

The Charter offers signatories the flexibility to choose their own targets, an approach that recognises the variety of company types, sizes, structures and sectors, differing levels of maturity around the diversity agenda. Despite this flexibility, over time signatories have taken an increasingly granular approach to modelling their targets, and shifted towards consensus.

Now more than 60% of signatories have a target of at least 33% female representation (the level to which HM Treasury would like to see all targets move in order to align with the *Hampton Alexander Review*), and 40% of signatories have a target of at least 40%. The average target is 36%, and one in eight signatories have a target of parity. For the smaller signatories (with up to 100 staff), 83% have a target of at least 33% female representation in senior management, and just under half (46%) have a target of parity.

Meeting (and missing) targets

Once set, the targets need to be met. At the five year mark, 35% of signatories have met their targets (rising to 73% for smaller signatories). Last year marked the biggest test yet for Charter signatories, as a group of 81 had 2020 deadlines. Of these, 37 met while 44 did not. Half of these were narrow misses.

The most common reasons for not hitting targets included setting deliberately ambitious targets in the first place, structural changes and recruitment or promotion freezes due to Covid. However, our analysis of signatory data shows that those that missed their targets tended to progress more slowly over a number of years, not just in their deadline year.

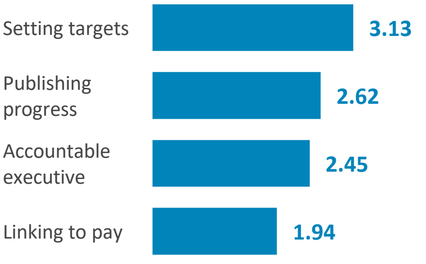
The ultimate goal of the Charter is parity. Since the first Annual Review, progressive signatories that hit their targets then raised them, an approach encouraged by HM Treasury. A handful of signatories have a series of interim targets on the path to parity.

Indeed, our analysis shows that signatories that view the target as the endpoint rather than a marker towards parity tend to lose momentum and plateau as they approach their target. The target becomes a ceiling and the changes made to achieve the target are not sustainable.

These findings put the onus on Charter signatories to actively challenge and refresh the ambition of their targets.

Fig.17 Targets are key

Which of the four pillars of the Charter has had the biggest impact on your organisation? Ranking score, 4= most impact, 1=least



n=134 survey respondents

"Becoming a Charter signatory prompted us to set public gender targets for the first time. As a result we developed detailed plans to achieve them and gave senior leaders accountability for demonstrating progress."

Fidelity International

"We have seen a positive trend in global female representation within senior leadership since signing the Charter in 2016, progressing from 25% of senior leadership being women to 29.46% by the end of 2020."

Standard Chartered Bank

"We have embedded the four pillars into everyday working and our culture. Ultimately we would hope not to have to have targets."

Anonymous

THE IMPACT OF THE CHARTER PRINCIPLES: LINK TO PAY

Signatories get to grips with the link to pay

As part of their Charter commitments, signatories are required to have an intention to link the pay of senior executives to performance against internal gender diversity targets.

From its inception, this pillar of the Charter has been the most controversial and challenging for signatory firms (fig.18), largely due to the complex, often opaque and highly confidential structure and nature of pay and bonuses. This was also reflected in the limited amount of detail provided by signatories in their annual updates regarding the link to pay. In the early years of the Charter, the link was relatively modest and was more a signal of intent. As signatories' approaches matured, reporting slowly improved.

However, 2020 marked a step change in the quality and quantity of reporting, showing that a critical mass of progressive signatories were hitting their stride with the link to pay – treating diversity as they would any other strategic objective and expecting senior leaders to deliver. Reporting became more granular, indicating signatories' increased confidence not only in implementing the link to pay, but also finding it increasingly effective (fig.19).

The who and the how

The Charter stipulates that the link to pay should apply to senior executives, however over the five-year period, signatories have reported that the link to pay has been cascaded beyond the executive committee to directors, people managers, and for some firms to all employees. Signatories have used the link to pay to drive accountability more widely and to position diversity and inclusion efforts as part of business as usual rather than a side of desk activity.

From the beginning, the most common mechanism for the link to pay was to include criteria related to diversity to the factors contributing to variable pay, as recommended by the *Empowering Productivity* review. Signatories used a balanced scorecard approach and/or embedded diversity objectives into personal performance reviews.

In 2020, signatories for the first time reported more systematic approaches, linking both to personal objectives for leaders as well as to bonuses for other employees, with examples of links to pay incorporated into the corporate scorecard applicable to all staff and brought into new performance management frameworks. It is interesting to note a handful of firms reported that they had extended the link to pay to include objectives related to increasing ethnic diversity.

Our analysis shows that it takes time to embed and realise the benefits of linking pay to targets. In their annual update to HM Treasury, signatories are asked whether they believe the link to pay has been effective. Over multiple years of data, there has been a steady shift from signatories responding "too early to tell" to "yes" in response to this question (fig.19). The link to pay is having the desired effect of impacting behaviour and holding managers to account.

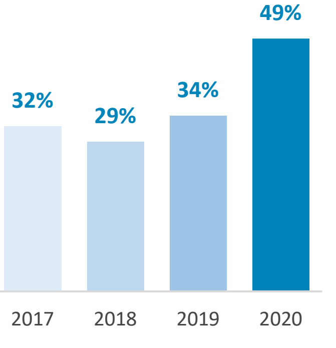
Fig.18 Pay is the biggest challenge

Which (if any) of the four pillars of the Charter have been the most challenging? Score where 0=easy, 2=very challenging

n=134 survey respondents

Fig.19 Increasingly effective

Has the link to pay been effective? % of signatories that responded 'yes' in annual reporting to HM Treasury



2017 n=63, 2018 n=96, 2019 n=160, 2020 n=181
Note: n varies as the number of signatories has increased each year

"Being a Charter signatory helped us to formalise bonus targets around increasing (and bringing more awareness to) female diversity, particularly at a senior level."

The Investment Association

PRINCIPLES: ACCOUNTABLE EXECUTIVE, PUBLISHING PROGRESS

How the role of the accountable executive has changed

All Charter signatories must name an accountable executive (AE) who is responsible for gender diversity and inclusion. The concept of allocating an accountable executive was inspired by the introduction of the Senior Manager Regime by UK financial regulators in 2016.

Signatories have found appointing an AE to be the least challenging of the Charter principles (see fig.18). The majority are men (70%), in business-facing roles (75%), and half are CEOs, as suggested by the *Empowering Productivity* review. However it has taken time to embed the role of the AE as the conscience of the organisation on D&I issues related to women.

In the early years of the Charter, most AE activity focused on speaking at events to raise awareness and the profile of the Charter with senior leadership and across the business. Other activities included mentoring and sponsoring women and working closely with D&I councils and network groups. Over time, signatories' annual reporting showed a step change in the AE role to holding the business to account against diversity targets and actions to achieve them.

In the latest Annual Review, nearly half of signatories reported that their AEs were instrumental in driving accountability – by reviewing data dashboards, presenting progress reports to their boards, pushing for diversity objectives to be part of performance reviews and fighting for budget to fund actions.

Publishing annual progress still needs attention

In addition to the annual update signatories provide confidentially to HM Treasury, signatories are obliged to publicly report on their progress against their Charter targets by December 31 each year. This year's Signatories Survey respondents said the requirement to publish progress was the second most impactful principle after setting targets (see fig.17).

As a minimum, HM Treasury asks firms to post on their company website whether they are on track to meet their targets. HM Treasury encourages companies to provide context for the update by including historical figures, an explanation of progress over the past year and expectations for the year ahead.

Although survey respondents didn't feel it was particularly challenging to execute (see fig.18), this is the only one of the four Charter principles where signatories have not significantly improved over the past five years. While we have seen firms that presented their information clearly and accessibly (for example, with graphics comparing previous years' progress, combining updates with wider D&I and/or gender pay gap reporting, including statements from the CEO and/or the AE), the quality and the format of reporting still varies significantly. Last year, a third of signatories did not publish an update at all.

HM Treasury will continue to remove signatories who do not submit or publish their updates on time. Transparency is a key pillar of the Charter, and the reasons why signatories struggle with updates require further exploration.

"I continue to see value to Schroders being a signatory to the Charter since signing in 2016. It has allowed us to demonstrate how ongoing review and updating our targets can support our commitment to building an inclusive organisation, reflecting the communities in which we operate. We have been able to apply the principles of the Charter to other aspects of diversity in increasing representation beyond gender. Given the events of the past 18 months, I believe it is more important than ever that we strengthen our approach on creating an inclusive environment and ensuring our people gain a sense of belonging at Schroders."

Peter Harrison,
Chief Executive and Charter AE,
Schroders

"The Charter is holding a mirror up to the sector and holding it to account, which is helping embed this accountability and the required actions to reach our goals."

Jon Holt,
Chief Executive and Charter AE,
KPMG

"The Charter has ensured that our organisation has accountability from the top through having one member of our senior executive team responsible and accountable for gender diversity and inclusion. This has accelerated our progression, targeted actions from our management team, and has ensured that the importance of diversity and inclusion is driven from the top of organisation and cascaded down respective reporting lines."

Standard Chartered Bank

Actions to support targets

Every financial services firm, whether they are a Charter signatory or not, wants to know what they need to do to drive female representation, and (often more importantly) what their peers are doing. While the Charter is not prescriptive regarding the actions firms should take to achieve their targets, all signatories update HM Treasury annually on their top actions. This data is then analysed and distilled into the Annual Review.

As the quality and quantity of signatory reporting has grown over the past five years, the actions dataset has become immensely rich, and offers unique insight into the wide range of interventions signatories are making and how their patterns of activity evolve. The main trends that we have observed looking back over the past five years of data are:

- a move away from generic programmes to the introduction of targeted, granular interventions;
- more rigorous monitoring across many areas of activity to measure the impact of actions;
- the introduction of a systemic and systematic approach to driving change, as demonstrated by comprehensive process and policy reviews;
- more recently, a critical mass of signatories shifting their attention from recruitment to building their pipeline as they seek to both achieve and sustain their target.

The Charter has actively encouraged signatories to think harder about whether their actions are having the required impact and whether actions are inclusive to all women by introducing new questions into the signatory annual update form. While we do increasingly see examples of measurement of impact, the reporting is not yet at a point where the Annual Review analysis can link signatory actions directly to their progress.

Signatories are at the very early stages of understanding how the attractiveness and impact of their actions might vary for women who also fall under multiple diversity strands. How signatories are moving towards a more intersectional approach with their activities to support targets will be an area for the Charter to explore further in the coming years.

The most common area of activity reported each year by signatories is recruitment (cited by 70% of signatories in the most recent Annual Review). While many of these actions are necessary and long overdue, they must be accompanied by action to build an internal talent pipeline. This shift in thinking is another important focus for the Charter in the future.

Overall, five years of Charter data shows how signatories have taken an increasingly business-like approach to the four core areas of activity the analysis monitors – recruitment, retention and promotion, embedding D&I into working life, and behaviour and culture. Across all four areas, the annual reporting shows signatories are increasingly applying the Charter principles to their actions, such as setting targets, introducing accountability frameworks, and monitoring progress via both quantitative and qualitative measures.

"We entered the Charter with the target of maintaining our gender ratio amongst our senior leaders, rather than improving it. The Charter however enabled us to formalise and structure our approach. In the last five years we were able to progress important subjects like enhanced maternity and birth leave, introduced dependent leave, and more flexible working opportunities, to name a few."

Castlefield

"There has been a noticeable shift in the focus on and investment placed in the agenda to improve female representation, particularly over the past two years as the organisation has launched a female specific development programme with a supporting 'Leading Diverse Teams' programme for managers. Female talent is being more actively managed – sponsors have been assigned to female talent, and succession plans are discussed and challenged to ensure diversity is considered."

Aldermore Bank

"Until 2020 we were doing pretty well against our target, however a number of factors have caused us to slip. While this is concerning in itself, it does highlight how sensitive our figures are to our recruitment and attrition at senior levels. As a result, a much stronger focus has been put on identifying and developing future female talent. Taking a retrospective view, this work should have been prioritised much earlier, so its too early to tell whether the future talent pipeline work has driven sustainable change."

Anonymous

The spread of the Charter's sphere of influence

The Charter has already made an impact far beyond its original brief of increasing female representation in senior management across the UK financial services sector. The principles have been applied in multiple areas of diversity, and the framework has inspired several new Charters – a testament to the fact that the mechanism of the Charter does work.

- **Beyond senior management**: Signatories' annual reporting has shown a steady trend of actions, targets and even the link to pay being cascaded to more junior levels over the past five years.
- **Beyond women**: Just under half (44%) of respondents to the Signatories' Survey said they had signed up to other public initiatives to improve diversity as a result of joining the Charter, with the most commonly mentioned being the Race at Work Charter and the Disability Confident employer scheme. Seventy percent of signatories surveyed said they were applying the Charter principles to wider diversity strands (fig.20), two thirds have named accountable executives for specific diversity areas (fig.21), and signatories are particularly focused on adapting aspects of the Charter framework to drive ethnic minority representation (fig.22).
- **Beyond the UK**: International versions of the Charter launched in Belgium in 2019 and in 2021 in Norway, and discussions are underway in Ireland, France, Japan, Brazil and Mexico. The European Bank for Reconstruction and Development is also spearheading an initiative across central Asia (which already has high level support in Uzbekistan).
- **Beyond financial services**: The Charter has inspired other sectors to take a similar voluntary, industry-led approach, such as the Women in Aviation and Aerospace Charter launched in 2018, and there are nascent plans to launch a diversity and inclusion charter focused on the shipping and maritime sector.
- **New Charters for women**: The Women in Finance Charter was emulated by the Tech Talent Charter in 2017 and the Investing in Women Code in 2019.
- **New Charters across multiple diversity strands**: In addition to the Race at Work Charter launched in 2018, the Bank of England made a public commitment with its Out and Proud Charter in 2019. The Black Talent Charter and the Change the Race Ratio both launched in 2020.

"[The Charter] has had an unintended but interesting and welcome effect on the advancement of the diversity agenda with regards to other protected characteristics. The rethinking of our job advertisements – the language and messages, designed with the intention to attract more female applicants – actually attracted a more diverse pool of applicants in general."

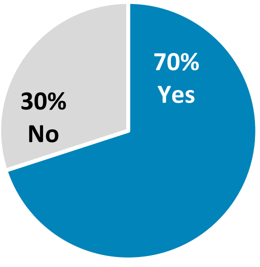
Brightstar Financial

"Being a signatory to the Charter and setting, implementing and tracking progress against our Charter targets encouraged even greater focus at a senior level. This has been a catalyst for our organisation in considering appropriate internal targets for other potentially under-represented groups and our ongoing commitment to setting diversity, equity and inclusion goals for the firm and for business areas."

Anonymous

Fig.20 Beyond gender

Percentage of Signatories' Survey respondents that are applying Charter principles to other diversity strands



n=134

Fig.21 Charter framework

Is your organisation applying the four principles of the Charter to any other diversity areas? % of respondents

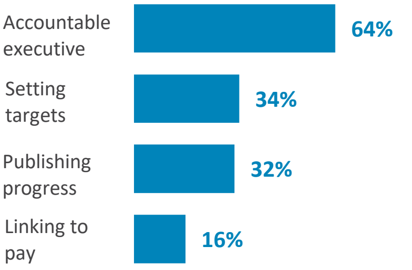


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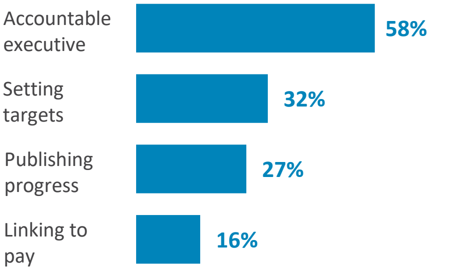
Fig.22 Extension to ethnicity

Is your organisation applying the four principles of the Charter to improving ethnic minority representation? % of respondents



n=134

THE CHALLENGE AHEAD FOR SIGNATORIES

"We see the main challenges to meeting our commitments being the increasingly competitive market for female talent (particularly in growth areas like technology) and the potential for women to downshift their careers or leave the industry following the particular challenges of the past 18 months."

Anonymous

"We need to keep the momentum on ensuring we have strong female pipelines, initiatives for re-skilling colleagues, and supporting hiring managers to be confident in hiring inclusively."

Anonymous

"Maintaining focus on female representation once the initial Charter target has been achieved, and educating the business that the absolute end goal is gender parity."

Anonymous

"The attractiveness of financial services to diverse talent [is an issue]. Other industries are leading the way in terms of flexibility and support for all."

Anonymous

The top 10 challenges signatories face in meeting their Charter commitments

Our Signatories' Survey asked signatories to describe the main challenges they expect to face in meeting their Charter commitments and driving sustainable change in their organisations. Below are the top 10 themes from the responses (by frequency of mention).

1. **Shortage of diverse talent:** The most common challenge voiced by signatories surveyed was a shortage of diverse talent in recruitment pools, particularly in technology and investment roles. This is compounded by fierce competition from peers for candidates in senior roles.
2. **Lack of pipeline:** Respondents recognised they did not yet have an adequate pipeline of women coming through the ranks, and expressed concern about the amount of time and effort that was required to develop talent internally.
3. **Low turnover in senior roles:** Signatories said the limited number of senior roles available and low natural turnover of roles was a significant challenge, particularly for smaller signatories and those with narrower definitions of senior management for their targets.
4. **Impact of Covid:** Concerns about impacts of Covid were wide-ranging – several survey respondents worried that hybrid working arrangements risk marginalising female talent; some said it was harder to hire as potential candidates did not want the uncertainty of a new employer or were leaving the industry altogether; others anticipated internal reorganisation and headcount reduction affecting their ability to hit their target.
5. **The disproportionate impact of small numbers:** Respondents with small senior management populations raised concerns that the departure of just one woman could dramatically impact their ratios of women to men.
6. **Sustaining momentum:** Signatories said maintaining momentum for action across the organisation was harder after hitting their initial target, or as they got close to hitting the target, or as their revised target became more ambitious.
7. **Attracting talent to the sector:** Survey respondents pointed to the wider issue of attracting diverse talent into the financial services industry that is overwhelmingly male-dominated and has a reputation for poor workplace culture.
8. **Maintaining stakeholder engagement/ buy-in:** Interestingly, in both our previous surveys of signatories (in 2017 and 2019), maintaining senior buy-in and ensuring gender diversity remained high on the corporate agenda was the top ranked challenge; however in 2021 it was far less frequently mentioned.
9. **Competing diversity priorities:** Some survey participants felt increased competition for resource and air time from multiple strands of the diversity and inclusion agenda, particularly around race and ethnicity, could have a knock-on effect on Charter targets.
10. **Embedding sustainable change:** Signatories said while accountability was in place at the top, the changes were not yet fully cascaded throughout the organisation to ensure a permanent and sustainable shift to a truly inclusive culture where both men and women can thrive.

THE CHALLENGE AHEAD FOR THE CHARTER

Success but no cigar

The big wins for the first five years of the Charter have been:

- building a deep and wide signatory base;
- driving a shift in how diversity is viewed as a business issue;
- ensuring gender diversity is a regular agenda item for excos and boards;
- normalising the use of diversity targets;
- increasing female representation at senior levels.

However, there is still a considerable way to go to achieve gender balance.

In fig.23 we estimate how long it will take the sample of firms in each sector to reach parity on executive committees if they continue to add women at the same rate they have done in the past five years. On average, this could be achieved by 2033 at current appointment rates, but timeframes across the different sectors range from five years for banking and insurance to 88 years for hedge funds.

A similar analysis for boards (fig.24), shows on average the industry could hit 50:50 in 2029, with a range of five years up to 191 for fintech. Of course this is a very crude measure, but it gives an indication of the direction of travel, the differences by sector, the possible time frame and the need for sustained effort.

The future of the Charter

The next strategic phase for Charter stakeholders is to focus on continued, robust challenge to signatories to be more ambitious in their targets and to support them with best practice sharing in order to get there.

It won't be easy, but the Charter has been and will continue to be a powerful means to maintain signatories' focus on the road to parity.

Fig.23 How long would it take to reach parity on excos?

The year in which each sector would reach a 50:50 exco target

Sector	Year
Hedge funds	2109
Challenger banks	2073
Diversified financials 1	2051
Private equity	2043
Investment banks	2037
Asset managers	2031
Venture capital	2030
Fintech	2030
Diversified financials 2	2029
Building societies	2027
Banking	2026
Insurance	2026

On average, UK financial services will reach 50:50 on excos in **2033**

n=205 in 2021, n=200 in 2016

Fig.24 How long would it take to reach parity on boards?

The year in which each sector would reach a 50:50 board target

Sector	Year
Fintech	2212
Banking	2032
Diversified financials 1	2031
Building societies	2030
Challenger banks	2030
Private equity	2028
Investment banks	2028
Asset managers	2028
Diversified financials 2	2026
Insurance	2026

On average, UK financial services will reach 50:50 on boards in **2029**

n=166 in 2021, n=163 in 2016

Note: Hedge funds and venture capital are excluded from board counts due to inadequate data

POINTS FOR DISCUSSION

"In 2016, HM Treasury's focus was on encouraging more firms to make a public commitment to improve their gender balance.

Five years later, I am proud to see that the Charter is making a tangible impact. In the last five years, over 400 firms have signed up and we have seen close to a ten percentage point increase in overall female representation at both board and executive committee levels.

Going forward, we want to ensure firms continue to set and achieve stretching targets and maintain momentum on addressing gender diversity."

Gwyneth Nurse,
Director of Financial Services,
HM Treasury

10 suggestions for debate

This report shows the valuable impact of the HM Treasury Women in Finance Charter over the past five years. While female representation is moving in the right direction, there is still a long way to go until both men and women can thrive and reach their full potential working in the UK financial services industry. Below are 10 discussion points raised by our findings:

1. **Stay ahead of the curve:** There are many moving parts in the diversity discussion and the stakeholder context has changed (and continues to change) rapidly. One thing is for certain – the demand to not only be aware of but also deliver on diversity is not going away, and the finance sector will need to adapt to remain attractive and competitive.
2. **Push towards parity:** The data shows that signatories lose momentum as they approach their target and the target becomes a ceiling. Targets will need to be increasingly ambitious to achieve the ultimate Charter aim of gender balance.
3. **Build a pipeline:** Permanent, sustainable change for firms and for the industry as a whole requires a shift in focus from recruitment activity to ensuring more women progress through the organisation to the most senior levels. This work is more targeted, with granular interventions and rigorous monitoring, and it will take time, but it will yield results.
4. **Cascade tone from the top:** The Charter has ensured that discussion of improving female representation is a regular feature of board and executive committee agendas. Now, that tone from the top needs to be cascaded down throughout the organisation, embedding accountability with every hiring manager, people decision maker and team leader.
5. **Reap the rewards on pay:** It has taken several years and it has not been easy, but finally there is a critical mass of signatories that have developed the effectiveness of the link to pay and are seeing the benefits of their actions. Those that are still struggling with the link to pay will need to catch up or risk falling further behind.
6. **Tackle segregated roles:** The executive committee data clearly shows the entrenched sex segregation of roles – women dominate support functions and men lead business. Encouraging signatories to target the development of female talent in the valued (and valuable) revenue generating functions will be an important marker of the Charter's future success.
7. **Overcome disclosure-phobia:** While publishing progress against targets may be a sore point for some signatories, transparency is an important pillar of the Charter. Financial services firms are accustomed to handling disclosure of sensitive information, and this capacity will increasingly need to be applied to diversity as demands for data increase.
8. **Expand diversity priorities:** As the diversity and inclusion agenda has matured and widened, a broader range of diversity priorities will need to be addressed. Accountable executives have a vital role to play in ensuring work to increase female representation stays on the agenda and is inclusive of women from all walks of life.
9. **Learn from the Charter:** The framework of the four Charter principles has emerged from the proof of concept phase and shown that it works. There is an opportunity for companies to learn from the Charter to accelerate progress in other areas of diversity and inclusion – and to avoid the pitfalls that have slowed the progress of women in finance.
10. **A call to tougher action:** The low hanging fruit has all been picked over the past five years. If the industry is to maintain the pace of change in the next half decade, it will have to take on the tougher challenges – such as cultural change, the misrecognition and misevaluation of merit, and defaulting to transferable skills rather than like-for-like when hiring. We all know what needs to be done, now we all need to get on with doing it.

APPENDIX: METHODOLOGY NOTES

Data sources

This review analyses three main data sources:

- female representation on boards and executive committees of a sample of 205 companies from 12 sectors of the UK financial services industry, collected in May 2021 and compared to 2016 data from the *Empowering Productivity* review;
- 134 responses to a survey of Charter signatories conducted in June 2021;
- five years of annual review data based on the updates signatories provide to HM Treasury every year and signatory surveys conducted in 2017 and 2019 (available here).

All data has been anonymised and aggregated, and no data has been attributed without the relevant signatory's consent.

Board and exco data

New Financial collected data from 205 companies across 12 different sectors: asset managers, banking groups, building societies, challenger banks, diversified financials 1 (a selection of FTSE 350 and AIM-listed brokers and asset managers), diversified financials 2 (market infrastructure, trading platforms, cards and payments systems companies), fintech (financial technology platforms in areas such as investment, payments, alternative lending, crowdfunding, not including information and data), hedge funds, insurers, investment banks, private equity and venture capital. All are regulated in the UK by the Prudential Regulatory Authority and/or the Financial Conduct Authority.

In each sector, we selected UK companies, or non-UK companies with significant operations in the UK, based on their size, activity, and availability and quality of information. All data was collected in May 2021 from company websites, annual reports, the FCA register, Companies House and other public sources, and additional information was requested from companies directly. All 2016 data was taken from the sample used in the *Empowering Productivity* review. Nearly all (95%) of the companies in the 2021 sample were directly comparable to the 2016 data.

Our definition of exco is the most senior leadership/ management team. Where individual exco members were not publicly named, we identified senior executives (using the same public sources listed above) to create a proxy exco that was comparable to peers in the dataset. Where a company was a subsidiary of a listed entity and had no board, the parent group board was recorded.

2021 Signatories' Survey

HM Treasury invited all signatories that had signed up to the Charter by September 2019 to participate in the 2021 Signatories' Survey in May and June 2021. We received 134 responses. We are very grateful to all the survey participants.

Fig.i Breakdown of sample by sector

Sector	Executive Committees	Boards
Asset managers	20	19
Banking	20	20
Building societies	10	10
Challenger banks	13	13
Diversified financials 1	20	20
Diversified financials 2	13	13
Fintech	20	20
Hedge funds	20	2
Insurance	20	20
Investment banks	20	20
Private equity	20	8
Venture capital	9	1
Total	166	166

Fig.ii 134 survey respondents by size